

TRAXIÓN

LIFE IN MOTION

Internal Carbon Price

Corporate Sustainability Department

Carbon Price in Traxión

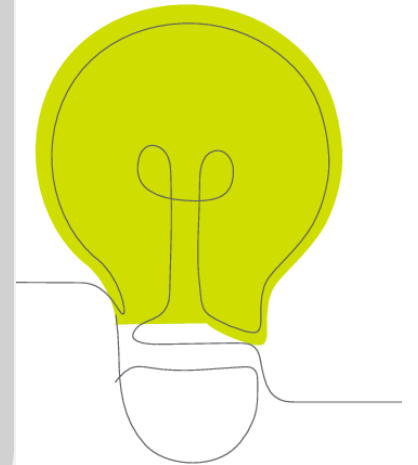
Internal Carbon Price (ICP) is a tool that companies use voluntarily to manage the risks and opportunities associated with their **carbon footprint** to internalize the costs of GHG emissions, **meaning that a price is assigned to the emissions.**

Benefits of Integrating a Carbon Price

- ▶ **Anticipation and management of financial risks:** Identify and manage financial risks arising from future carbon emission regulations to minimize impacts.
- ▶ **Strategies for climate risks:** Use the tool to reduce emerging risks associated with climate change and enhance resilience against them.
- ▶ **Preparation for future regulations:** Facilitate adaptation to potential future regulations and regulated carbon markets.
- ▶ **Optimization of competitiveness:** Adopting an ICP increases operational efficiency and reduces long-term costs, positioning the company favorably in the market.
- ▶ **Compliance and reputation:** Integrating a ICP meets requirements in international questionnaires and enhances the company's reputation as a leader in sustainability and environmental responsibility.

Traxión uses the internal carbon price to reflect the environmental costs of emissions, mitigate financial risks from future regulations, and promote sustainable practices. This approach not only **facilitates preparation for future carbon markets** but also ensures proactive **adaptation and efficient management of emission-related costs.**

The objective is to integrate environmental costs into all our decision-making processes, mitigate future financial risks, and promote sustainable practices to enhance efficiency and readiness for carbon markets.



Source: Cepal, 2021



Carbon Price 2025

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Carbon Price in Traxión

Implementing an internal carbon price could become a key tool to drive sustainability and efficiency across the organization. By assigning an economic value to emissions, it encourages more **responsible decisions, low-carbon investments, and stronger risk management**. It also helps integrate climate criteria into financial planning and enhances competitiveness in the transition toward a cleaner economy.

Cost-benefit analysis: Assigning a value to our carbon emissions allows us to integrate environmental costs into project evaluations, helping us highlight which alternatives are more profitable and sustainable.

Energy efficiency: By linking emissions to cost, we are encouraged to optimize energy use across our operations. This drives us to reduce fuel consumption, improve operational efficiency, and minimize our environmental footprint while saving costs.

Low-carbon investments: Carbon pricing makes low-emission projects more attractive. We are exploring opportunities in clean technologies, alternative fuels, and renewable energy to accelerate the decarbonization of our fleet and services.

Climate-informed decision-making: We use carbon pricing as a tool to embed climate considerations into business decisions. This approach is intended to help us align business growth with climate responsibility.

Risk assessment: Assigning a cost to carbon emissions strengthens our ability to anticipate regulatory, financial, and operational risks related to climate change, enhancing our risk management process.

Low-carbon opportunities: Carbon pricing helps us identify efficiency improvements and new business opportunities aligned with a lower carbon footprint.

Strategy and financial planning: We plan to incorporate carbon costs into our financial planning processes to better align business growth with climate objectives.

Navigating regulations: Prepares the organization to comply with future carbon taxes or markets, reducing regulatory risks.

Budget for carbon offsets: Facilitates the calculation and allocation of resources to offset residual emissions through credits or mitigation projects.



Shadow Price

It involves **assigning a simulation cost to CO₂e emissions**, which allows for optimizing decision-making when selecting capital investment projects, managing risks, or planning business strategy.

- **Theoretical cost of carbon emissions**, as no actual money is collected.
- This method helps understand climate-related impacts and risks and **models how carbon pricing could affect operations and investments**

***Applicable to Scope 1 and 2 of, under the Market price method**

Carbon Tax

It involves charging for CO₂e emissions by creating internal programs and financial incentives aimed at reducing them. **The carbon tax implies a real monetary transfer** within the organization.

- It allows for financing internal projects and offsetting emissions but **requires greater maturity in both internal and external carbon pricing**.
- It **requires fiscal regulations** for the internal transfer of resources.

***Currently not applicable to the Group.**



Method - Market Price

In Mexico:



Carbon Tax

Applicable in 8 states of the country, ranging from \$0.17 to \$580.9 per tCO2e.

Average Carbon Tax
\$244.24 (13 US\$ aprox)

Highest Carbon Tax
\$580.9 (30 US\$ aprox)

*State of Querétaro

In Mexico:

Mitigation Costs



Carbon Credits

Price of carbon credits
6 US\$ a los 30 US\$

*Source: México2

International:

International emissions trading systems

Country	Price
USA	10 US\$ - 100 US\$
Canada	58.95 US\$

*Price of State and trends of carbon Pricing Dashboard



Method - Market Price

Due to the lack of an Emissions Trading System in Mexico and the fluctuation of international prices, it was decided to use **the highest carbon tax price in the country.**

Highest Carbon Tax in México

MXN \$580.9 per tCO₂e

Shadow Price:

As a first step to addressing the carbon price, Traxión will use the **shadow price**. This approach will allow us to estimate the economic value of carbon by incorporating **a theoretical cost into our business decisions.**

Indicators 2024

GHG emissions	Annual Revenue
625,356 Ton CO ₂ e	29,142 million MXN

$580.9 \times 625,356 = 363,269,300.4$

% of Carbon price relative to 2024 revenue
1.25 %

If the ICP were applied to the emissions generated in 2024, it would represent 1.25% of Traxión's total revenue.

*Promedio del dólar en 2024



Integration into the strategy

Evaluation in investment projects

Utilizes the internal carbon price to assess the feasibility of projects and technologies in terms of emissions reduction.

Below is an example of **solar panel installation**. In addition to the benefits derived from **reduced energy consumption billing**, this measure helps lower emissions, which in turn translates into a reduction in the cost associated with the internal carbon price for the energy consumption of the facility.

Example Scope 2: Implementation of solar panels in one installation

Without solar panels			
Consumption kWh	Emissions tCO2	Current payment	Shadow Price per tCO2 Annually
1,084,652.00	471.8	\$2,977,128.90	\$274,068.62
Investment		Return on Investment	
529,720.28 US\$		3.57 años	

With solar panels			
Consumption kWh	Emissions tCO2	Current payment	Shadow Price per tCO2 Annually
87,002.00	37.8	\$ 668,618.44	\$ 21,958.02
Annual savings of \$2,308,619.44 + Shadow price			
Avoided emissions 434 tCO ₂ annually		Carbon Price savings of \$252,110 annually	

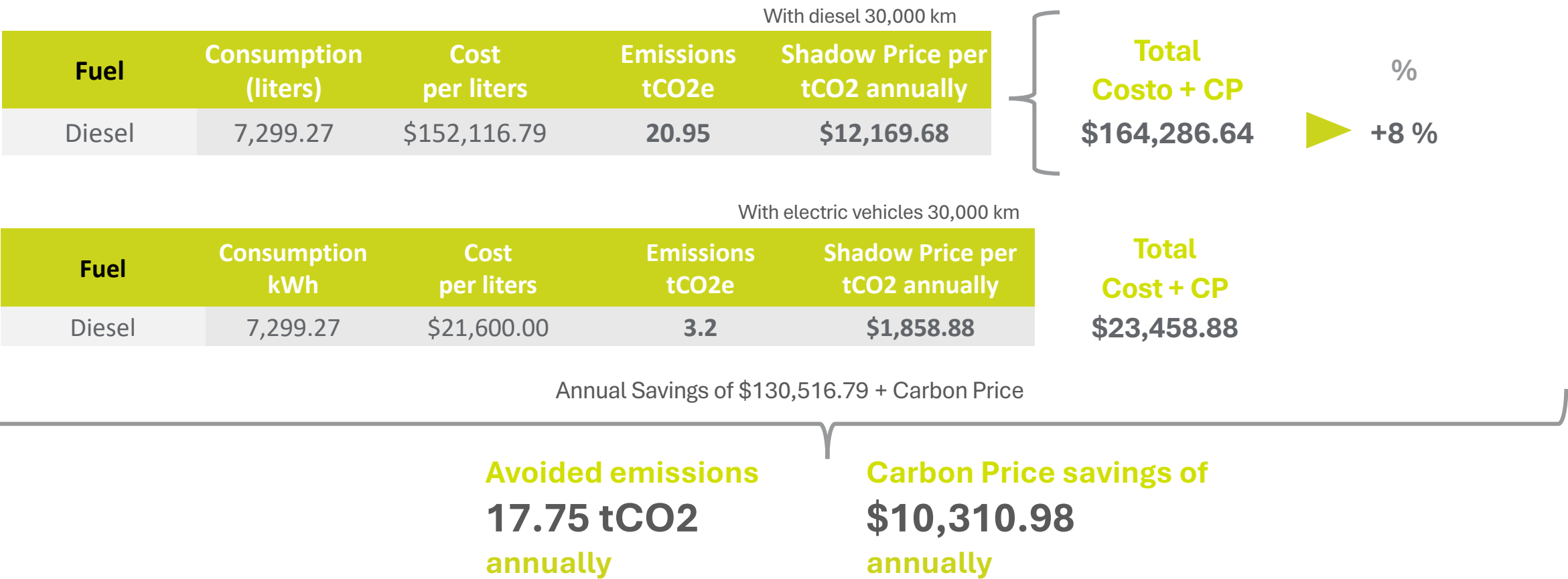


Integration into the strategy

Example Scope 1

Implementation of Electric Vehicles

This exercise compares the use of a diesel vehicle versus an electric vehicle for the same mileage. The analysis shows that, in addition to diesel being significantly more expensive than electricity, its consumption also generates higher CO₂ emissions. These emissions increase costs when applying the internal carbon price, further raising the total operating cost of using diesel.



Integration into the strategy

Fuel consumption evaluation

The internal carbon price is used to evaluate the projection of **carbon taxes** applied to fuels in mobile sources during the monthly board meetings.

Fuel	Consumption (liters)	Cost Per liter	Cost Per thousand liters	Emissions tCO2e	Shadow Price per tCO2 annually
Diesel	1000	\$20.84	\$20,840	2.87	\$1,667.18
Gasoline and naphtha	1000	\$20.96	\$20,960	2.5	\$1,452

Including Shadow Carbon Price:

Total Cost + CP	%
\$22,507.18	+8 %
\$22,412.25	+6.9%



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